

Teague: Stop 3% rate hike on the backs of New Mexico's families

Washington, DC —Wednesday, Congressman Harry Teague sent a letter to the Chief Executive Officer of Wells Fargo bank, calling on him to reverse his bank's recent decision to suddenly increase rates on their customers by 3 percent, and join other credit card companies who have pledged to not increase rates in advance of the effective date of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act). According to their website, Wells Fargo is the largest financial institution in New Mexico.

"When most of the families in my district are counting every dime to make sure they make it through these tough economic times, Wells Fargo's decision to raise rates on their customers now in order to get around critical reforms is just plain wrong," said Congressman Harry Teague "There is no question that our financial industry must recover for the health of our economy, but placing yet another economic burden on the backs of consumers isn't the answer."

The Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD Act) is a tough new consumer protection measure that provides American consumers with increased protections against unfair, deceptive, and anti-competitive credit card practices. The Credit CARD Act was signed into law by the President on May 22nd, 2009. It is slated to go into effect in February of 2010.

Full text of Congressman Teague's letter:

October 14, 2009

Mr. John Stumpf

Wells Fargo Chief Executive Officer

420 Montgomery St
San Francisco, CA 94163

Dear Mr. Stumpf,

We have received an increasing number of complaints from our constituents regarding some credit card companies, including Wells Fargo, suddenly and unreasonably raising rates in advance of the effective date for many of the reforms contained in the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act).

Last week, 18 Members of Congress sent a letter to some of the major credit companies which detailed recent practices of the credit card industry raising interest rates to unreasonable levels, which would be prohibited under the Credit CARD Act.

The industry's response has been varied. We were pleased to hear that Discover Financial Services will not initiate any change in terms of re-pricing of credit card accounts from October 8th to the effective date of the Credit CARD Act.

However, the response from Wells Fargo is perplexing. First, there was an announcement that Wells Fargo would be ending over-limit fees. Then Mr. Kevin Rheign, Group Executive Vice President for Wells Fargo, informed The Associated Press that the bank would be raising its interest rates by 3 percentage points in advance of the law. This was a highly disappointing announcement.

According to recent stress tests by the federal government, it was determined that Wells Fargo needs an additional \$13.7 billion to remain well capitalized. Through an additional stock offering your company raised \$8.6 billion in capital. The difference is \$4.9 billion; various economic journals have quoted some executives saying that the difference would be raised through earnings.

We all know that Wells Fargo, the 8th largest credit card company in the United States, has been affected like all Americans by the downturn in our economy. In fact, your company had to take \$25 billion in TARP funds. While nothing less than a full recovery of the American banking industry is in all of our best interests, there must be a better way to raise the capital difference than upon the backs of struggling consumers.

We strongly urge you to immediately reconsider your decision to raise credit card interest rates in light of Bank of America and Discover Financial Services' decisions. With additional Congressional oversight, increased media scrutiny, pending reform legislation, and American families struggling to weather this financial storm, we feel that Wells Fargo has made a very poor decision.

Sincerely,

Betsy Markey

Member of Congress

Harry Teague

Member of Congress

John Salazar

Member of Congress

Neil Abercrombie

Member of Congress

Marcia Fudge

Member of Congress

Maurice Hinchey

Member of Congress

Chellie Pingree

Member of Congress

John Boccieri

Member of Congress

Martin Heinrich

Member of Congress

Mary Jo Kilroy

Member of Congress

Linda Sanchez

Member of Congress

Betty Sutton

Member of Congress

Eric Massa

Member of Congress

Paul Tonko

Member of Congress

John Olver

Member of Congress

Dina Titus

Member of Congress

Mike Quigley

Member of Congress

Anne Kirkpatrick

Member of Congress

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